

PROCEEDINGS OF GOVERNMENT OF KARNATAKA

- Subject: Implementation of Defined Contribution Pension Scheme (New Pension Scheme) w.e.f. 01.04.2006 for new entrants to Government Service- reg.
- Read: 1) G.O. No. FD (SPL) 04 PET 2005, Bangalore, Dated 31st March 2006.
2) G.O. No. FD 79 TAR 2006, Bangalore, Dated 16th June 2006.

PREAMBLE:

The State Government has approved a Defined Contribution Pension Scheme as a mandatory scheme for all new recruits to the State Government service joining on or after 1-4-2006. There are around 60,000 such employees as on date. The monthly contribution under the scheme shall be 10 percent of Basic Pay and Dearness Allowance thereon to be paid by the employee and matched by the State Government in equal proportion. The contributions and returns are to be deposited in a non-withdrawable Pension Tier-I Account.

The Government of India has also implemented a Defined Contribution Pension Scheme, known as New Pension Scheme (NPS), with effect from 1-1-2004. Several State Governments have implemented similar scheme from subsequent dates. The scheme is being implemented as per an architecture made and regulated by Pension Fund Regulatory and Development Authority (PFRDA). The supervision of the scheme functioning and performance of all intermediaries is done by a NPS Trust under overall guidance and supervision of PFRDA.

In the Government Order referred at (1) above, it was indicated that separate orders will be issued appointing the Central record Keeping agency and Pension Fund Managers for implementing the Defined Contribution Pension Scheme. The Government of Karnataka has considered the NPS architecture, as detailed in Annexure I, set up by PFRDA, and has decided to adopt it for implementing the scheme.

Hence the following order.

GOVERNMENT ORDER NO. FD (SPL) 28 PEN 2009 Bangalore
Dated 19.1.2010

1. The Government of Karnataka shall avail the services of NPS architecture set up by PFRDA.

2. The Government of Karnataka shall enter into an agreement with the NPS Trust to be governed in Toto by the NPS Pension Architecture and other regulatory parameters, directions, regulations, guidelines, etc. issued from time to time.
3. The Government of Karnataka shall also enter into a separate agreement with the National Securities Depository Ltd (NSDL) as the Central Record Keeping Agency (CRA) as appointed by PFRDA. The role of the CRA and fee payable for its services are detailed in Annexure II. The fee to the CRA shall be paid by the State Government. A separate notification under section 4(g) of the Karnataka Transparency in Public Procurement Act for engaging services of the NSDL has been issued.
4. The charges of the Pension Fund Managers (PFMs), Trustee Bank and Custodian shall be borne by the employees through appropriate deductions from the investments done by the PFMs.
5. The State Government shall allocate the pension corpus of the New Pension Scheme between the three Pension Fund Managers in the same proportion as has been fixed for the Government of India employees till further orders.
6. The Director of Treasuries shall be the State Nodal Officer for implementing the scheme.
7. Separate Orders will be issued in respect of operational, accounting and audit procedures of the scheme.

By order and in the name of
Governor of Karnataka



(U.P.Prabhu)
Special Officer and Ex-officio
Deputy Secretary to Government
Finance Department (Pensions)

Copy to:

1. The Chief Secretary to Government, Vidhana Soudha, Bangalore
2. The Accountant General (A&E) / Principal Accountant General (Audit-1), Bangalore
3. The Additional Chief Secretary to Government, Vidhana Soudha, Bangalore

4. The Development Commissioner, Vidhana Soudha, Bangalore
5. All Principal Secretaries/Secretaries to Government
6. Principal Secretary, State Legislature, Bangalore
7. Secretary, Karnataka Public service commission, Bangalore
8. Registrar, Karnataka Lokayukta, Bangalore
9. Registrar High Court of Karnataka, Bangalore
10. Registrar, Karnataka Administrative Tribunal, Bangalore
11. All Heads of Departments & DDOs
12. All Deputy Commissioners of Districts
13. All Chief Executive Officers of Zillah Panchayat
14. Director of Treasuries, Bangalore & District Treasury Officers & Sub Treasury Officers.

Annexure I

New Pension Scheme Architecture

The NPS architecture set up by the PFRDA envisages the following arrangements :-

(a) Investment of pension contributions by Pension Fund Managers (PFM):

PFRDA has approved three PFMs for the Government employees, namely, SBI Pension Fund, UTI Retirement Solutions, and LIC Pension Fund. The Government of India has currently allocated the NPS funds to these three PFMs in the ratio of 41, 30 and 29 percent. At present the same pattern shall be followed. It is contemplated that options can be given to individual employees in future to choose the PFM or a combination of PFMs, and their preferred investment pattern.

(b) Record keeping by a Central Record Keeping Agency (CRA):

National Securities Depository Limited (NSDL) has been appointed as the CRA for the scheme. It will keep the entire records of the NPS, including the contributions, investments, balances and annuity for each employee.

(c) Flow of funds through Trustee Bank:

Bank of India has been appointed as the Trustee Bank. It will handle the flow of funds from the State Government to the PFMs.

(d) Custody of the investment instruments:

Stock Holding Corporation of India Limited (SHCIL) has been appointed as custodian of the investments made by the PFMs.

The PFRDA has selected the above agencies (for implementation of the NPS) through a rigorous competitive process.

(e) Overall supervision:

The supervision of the scheme functioning and performance of all intermediaries is done by a NPS Trust under overall guidance and supervision of PFRDA.

Annexure II

Role of Central Record Keeping Agency

- a. Creation of subscriber Data base.
- b. Generation of Unique Permanent Retirement Account Number (PRAN).
- c. Consolidation of Pension Contribution Information.
- d. Consolidation and grouping of investment preferences on the basis of schemes and Pension Funds (PFs).
- e. Reconciliation of pension fund reports received from Trustee Account with pension fund contribution information report.
- f. Generation of reports on errors and discrepancies.
- g. Consolidation of grievance and complaints of subscribers.
- h. Addressing grievances and complaints for the corresponding service providers.
- i. Preparation of Action Taken Report on the grievance and complaints of the subscriber/investor.
- j. Receiving reports on investments made by each PF in different schemes and send Instruction to Trustee Bank to remit amount for clearing.
- k. Sending instruction to Trustee Bank to remit withdrawal fund to subscriber's account.
- l. Remit remaining amount to Annuity Provider's Account against the annuity scheme.

Fee payable to the CRA

The CRA shall be paid fee* for their services at the following rates:

(i)	Permanent Retirement Account (PRA) opening charges	Rs.50 per account
(ii)	Annual PRA maintenance	Rs.350 per account
(iii)	Transaction charges	Rs.10 per transaction

*Exclusive of Service Tax and other taxes as applicable.

The above-mentioned fee would get reduced in 2 stages after the number of accounts cross 10 lakh and 30 lakh.
